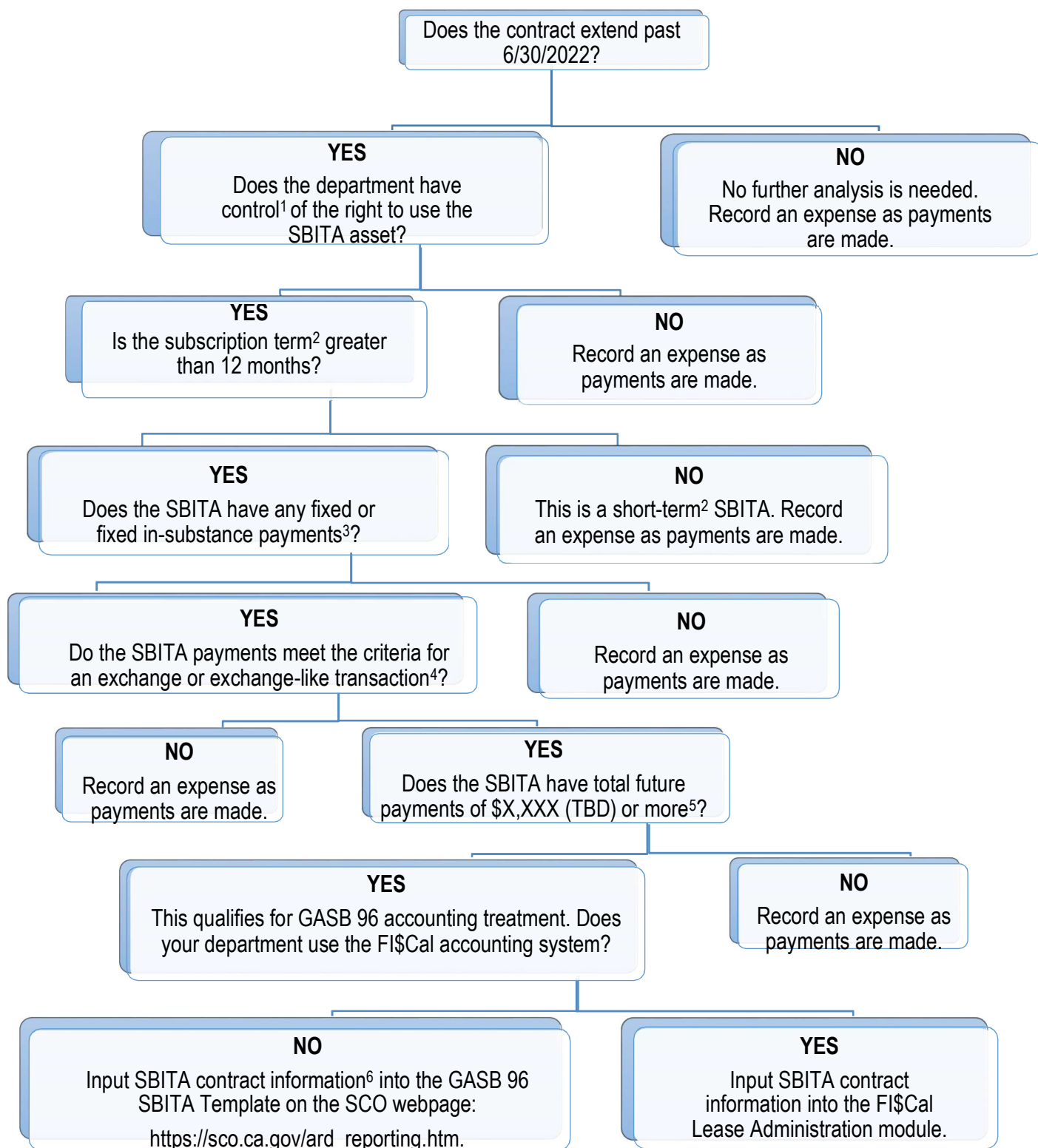


Subscription-based Information Technology Arrangements (SBITAs) Accounting Decision Tree

For end users of SBITAs with a non-state agency.



Subscription-based Information Technology Arrangements (SBITAs) Accounting Decision Tree

For end users of SBITAs with a non-state agency.

¹ A contract conveys control of the right to use the asset when the government is provided with both of the following:

1. The right to obtain service level capacity from use of the asset as specified in the contract, and
2. The right to determine the nature and manner of use of the asset.

In other words, the government must have the right to the benefits generated from the asset. For example, a government can login to use the subscribed software such as Microsoft Excel.

In addition, nature and manner address whether the government have the right to control how the asset is used. For example, the government can use the subscribed Microsoft Excel at specific time and duration.

² Subscription term is the period a government has a noncancellable right to use the asset from July 1, 2022 or the inception of the arrangement, whichever is later, plus a government's or SBITA vendor's option to:

- Extend the SBITA if it is reasonably certain the option will be exercised or
- Terminate the SBITA if it is reasonable certain that the option will not be exercised.

Caution: *Periods where BOTH the government and the SBITA vendor have option to terminate or extend without permission of other party are excluded from the subscription term.*

Note: A short-term SBITA is a SBITA that has a maximum possible term of 12 months or less at the commencement of the subscription, including any options to extend, regardless of their probability of being exercised.

³ Fixed payments are specific dollar amounts in the SBITA contract that the government is obligated to pay. Fixed in substance payments are minimum guarantee amounts or portions of variable payments that can be reliably measured because they are not dependent upon events or transactions that have not occurred. For example, if a SBITA requires a payment of \$100 per licensee with a monthly minimum payment of \$10,000, the monthly minimum payment of \$10,000 is considered as a fixed in-substance payment.

Include both fixed payments and fixed in-substance payments in calculating the liability arising from the SBITA. Other factors that may be part of a fixed or fixed in substance payment stream, may include, but not limited to:

- Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate as of the commencement of the SBITA term.

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⁴ In an exchange transaction the government receives and gives up essentially equal values. In a nonexchange transaction, a government receives value (underlying IT asset) without directly giving equal value in return (e.g., nominal IT subscription payment).

⁵ Calculate using the total future SBITA payments from July 1, 2022 or the date the SBITA begins if after July 1, 2022, to the end of the SBITA term described in footnote 2 above.

⁶ Non-FI\$Cal Departments that did not procure third-party software for GASB 96 accounting, may use the "GASB 96 SBITA Template" Excel Workbook at the SCO website: https://sco.ca.gov/ard_reporting.html.